

# “Wonder Over Worry”

Market Update  
with Robert Paolucci, CFP® &  
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April 2025



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# Today's Topics

1. General Discussion: “Wonder Over Worry”
2. Markets
3. Economy & Policy
4. Everything Else

## Stock Market Pullback – Beneath the Surface

| Major indexes and maximum drawdowns |            |                           |                                      |   |
|-------------------------------------|------------|---------------------------|--------------------------------------|---|
| Index                               | YTD return | Index return from YTD low | Index maximum drawdown from YTD high | Average member maximum drawdown from YTD high |
| S&P 500                             | -4%        | 3%                        | -10%                                 | -16%  |
| NASDAQ                              | -9%        | 2%                        | -14%                                 | -36%  |
| Russell 2000                        | -8%        | 3%                        | -14%                                 | -28%  |
| Dow Jones                           | -1%        | 3%                        | -9%                                  | -14%  |

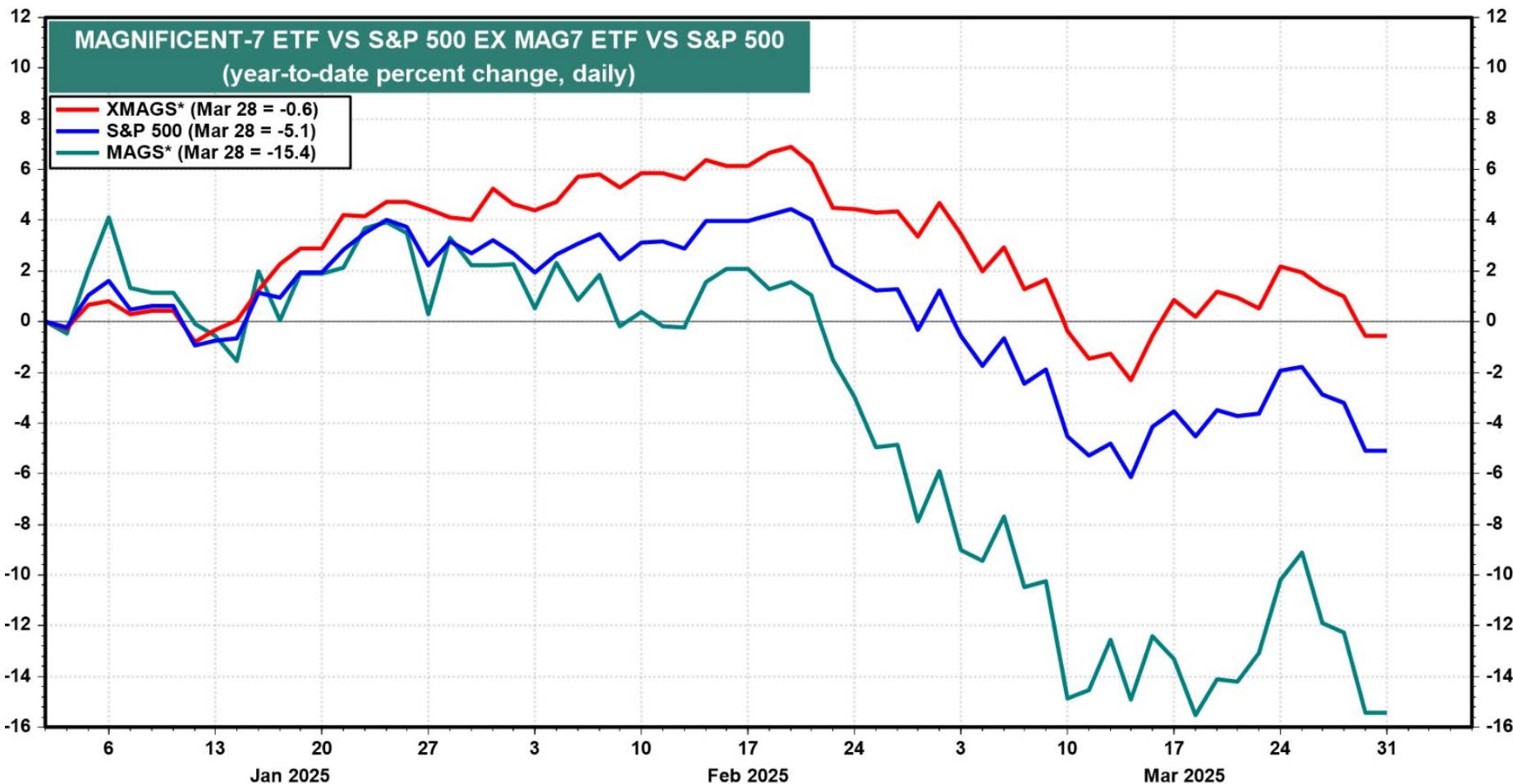
Source: Charles Schwab, Bloomberg, as of 04/02/2025

# Year-To-Date Performance – The Less Magnificent 7

| Magnificent 7 Performance |            |                 |              |                 |
|---------------------------|------------|-----------------|--------------|-----------------|
|                           | 2024       |                 | 2025         |                 |
|                           | Full year  | S&P 500 Ranking | Year-to-date | S&P 500 Ranking |
| Meta Platforms Inc        | 65%        | 24              | 0%           | 253             |
| <b>S&amp;P 500</b>        | <b>23%</b> | <b>NA</b>       | <b>-4%</b>   | <b>NA</b>       |
| Microsoft Corp            | 12%        | 233             | -9%          | 399             |
| Apple Inc                 | 30%        | 113             | -11%         | 412             |
| Amazon.com Inc            | 44%        | 56              | -11%         | 414             |
| Alphabet Inc              | 36%        | 94              | -17%         | 465             |
| NVIDIA Corp               | 171%       | 2               | -18%         | 469             |
| Tesla Inc                 | 63%        | 27              | -30%         | 497             |

Source: Charles Schwab, Bloomberg, as of 04/02/2025

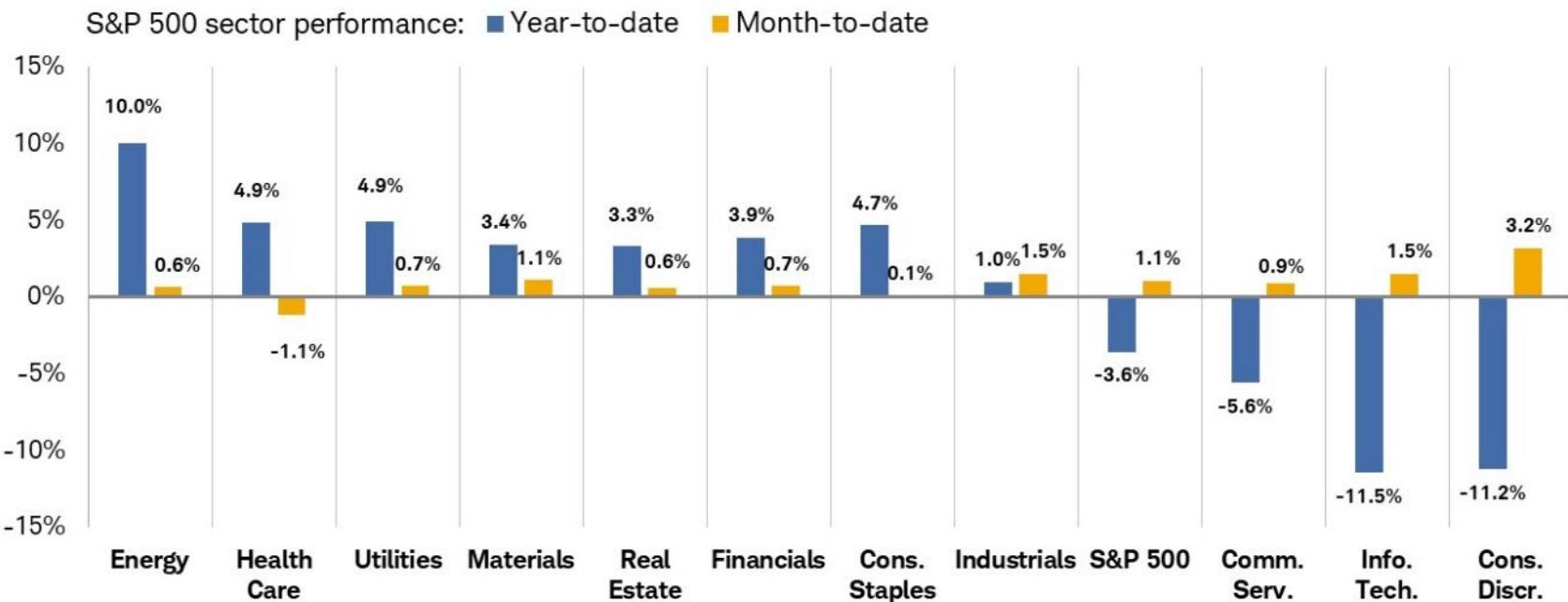
# Most Of The Market Is Holding Up



Source: Yardeni Research, as of 03/31/2025

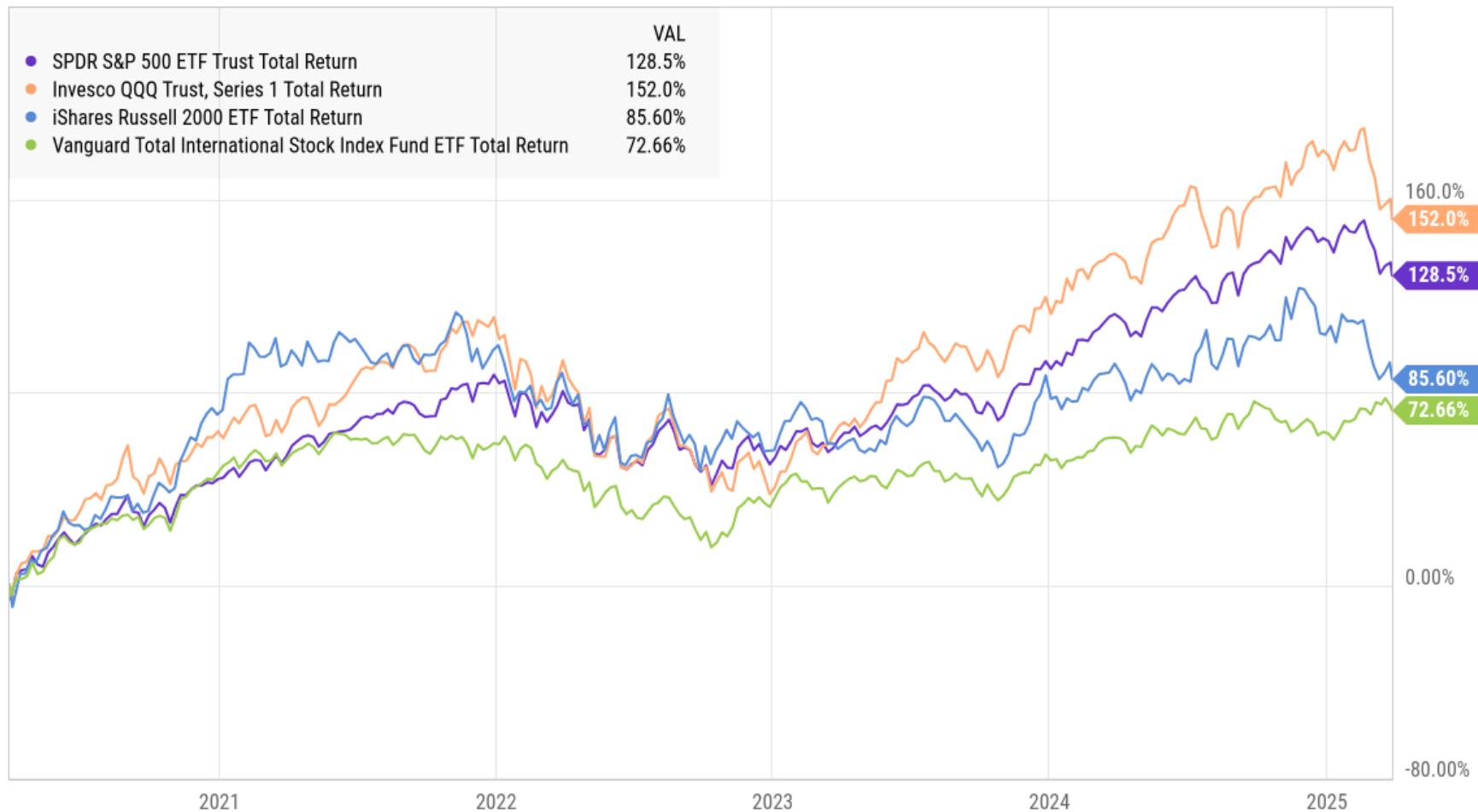
# Beneath The Surface- Sector Performance

7/11 Sectors Are Either Flat Or Positive YTD!



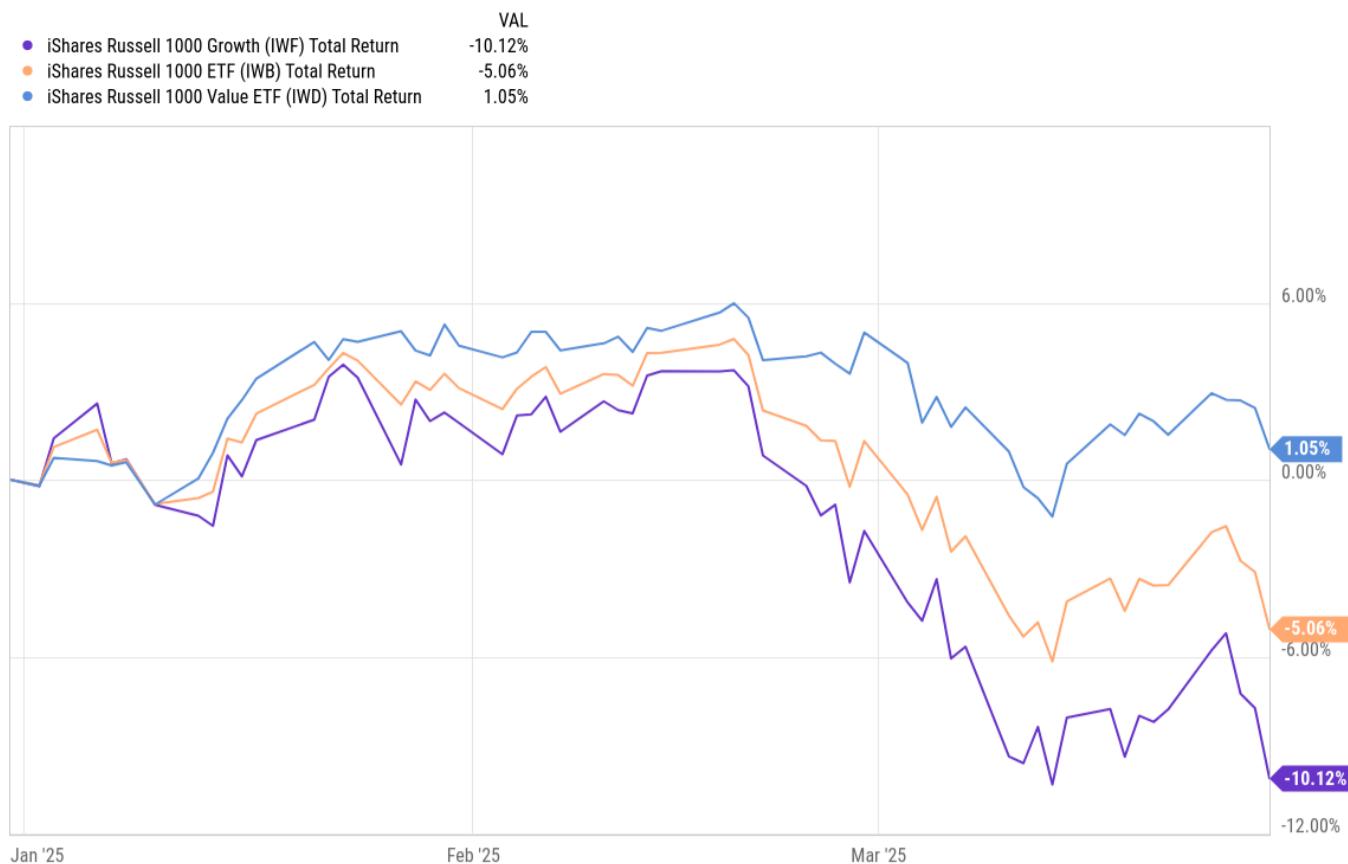
Source: Charles Schwab, Bloomberg, as of 04/02/2025

# Level Setting - Five-Year Cumulative Performance



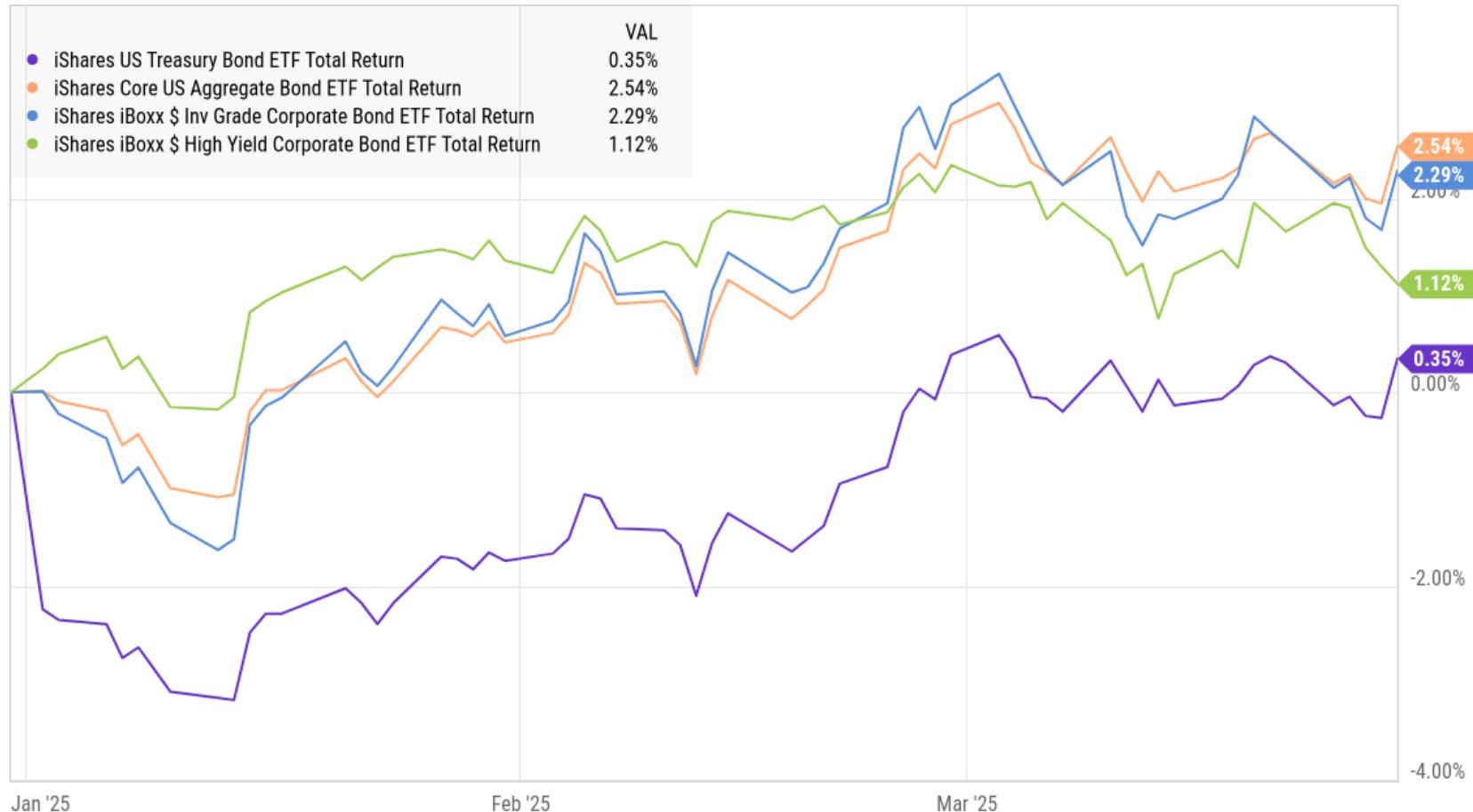
Source: YCharts, as of 03/31/2025

# Style Performance – Growth vs. Value



Source: YCharts, as of 03/31/2025

# Bonds Are Behaving Well

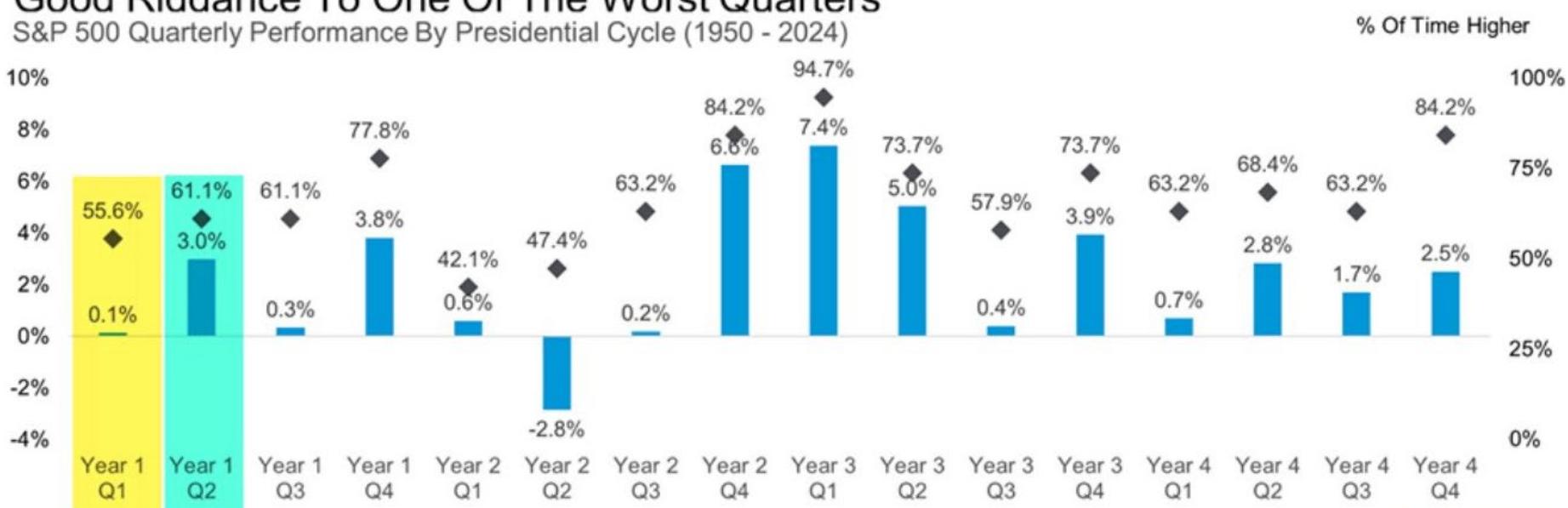


Source: YCharts, as of 03/31/2025

# First Quarter Of A New President Brings Weakness

## Good Riddance To One Of The Worst Quarters

S&P 500 Quarterly Performance By Presidential Cycle (1950 - 2024)

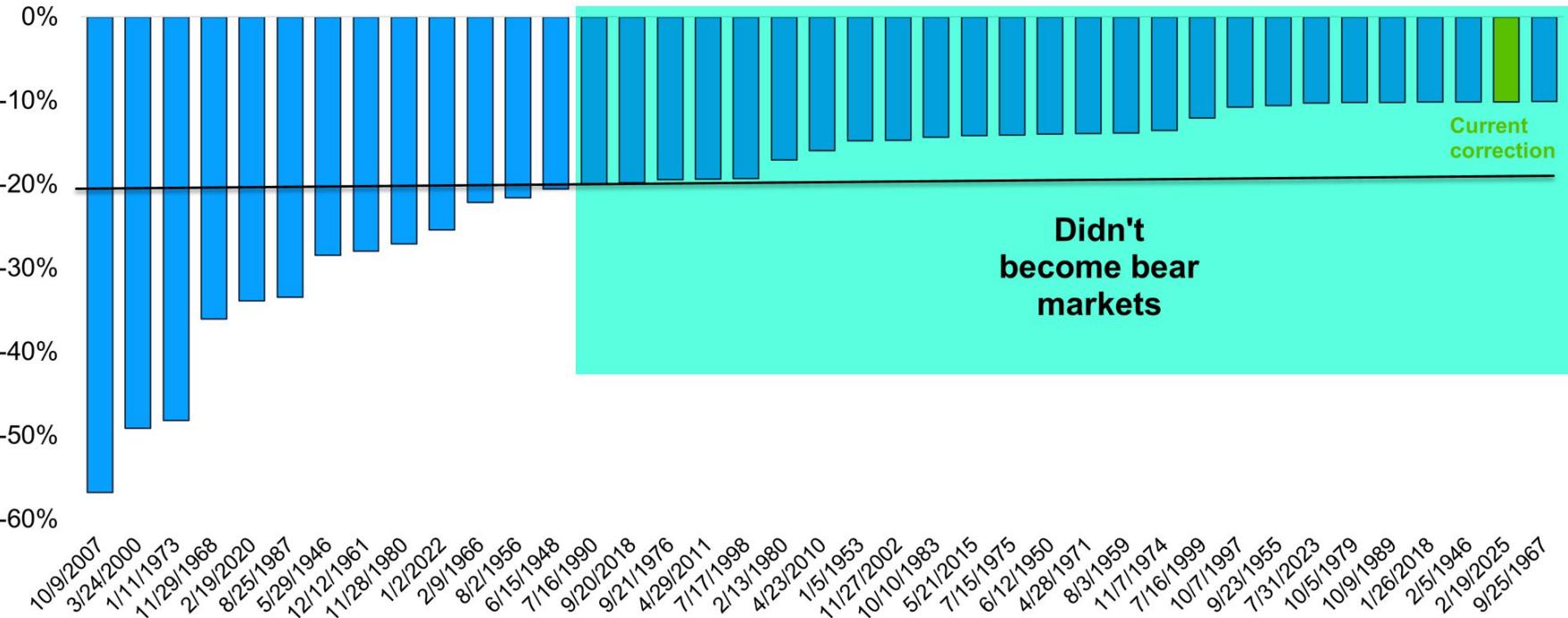


Source: Carson Investment Research, FactSet, as of 02/02/2025

# Stock Market Corrections Are Healthy

All Bears Start With A Correction, But Not All Corrections Turn Into A Bear

13 Of The Previous 39 Corrections Turned Into Bear Markets

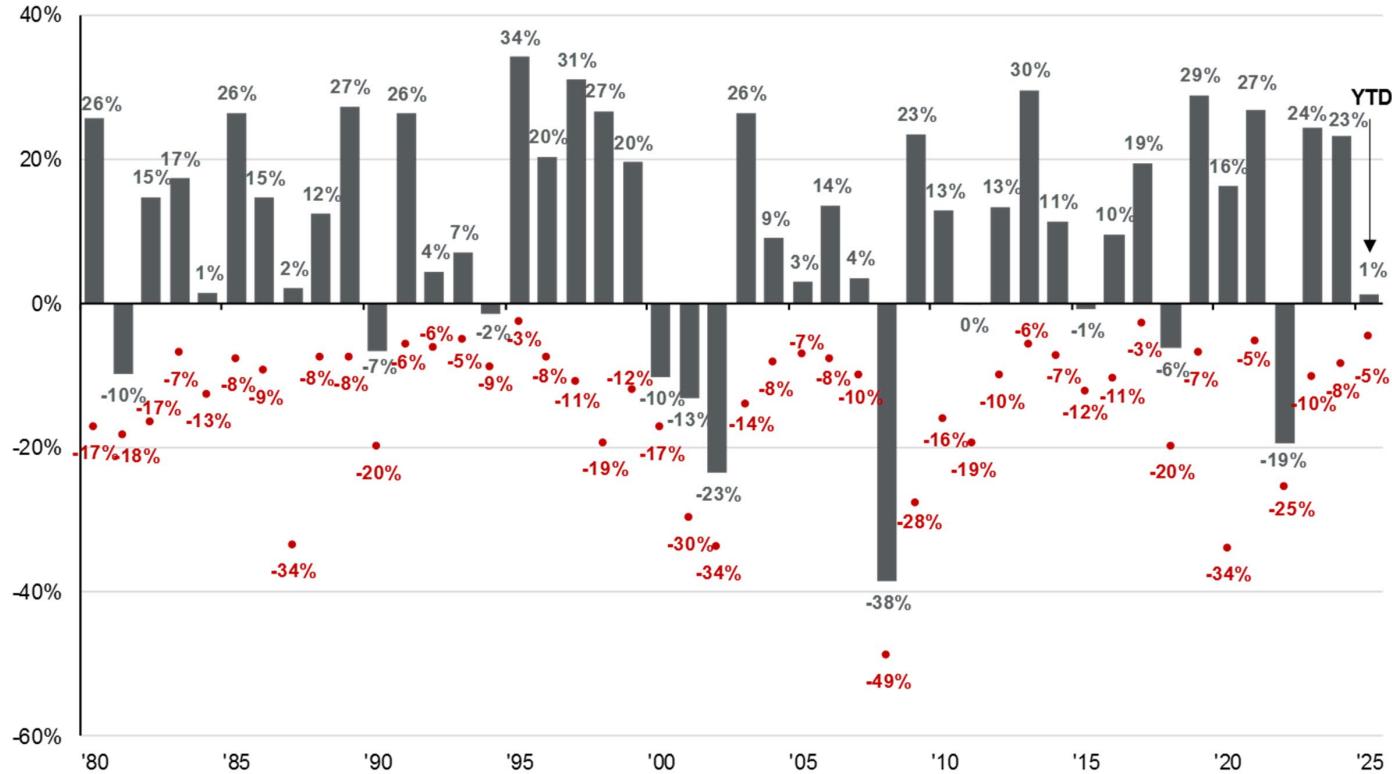


Source: Carson Investment Research, FactSet, as of 03/20/2025

# Investing Is A Journey- “Oh, The Places You’ll Go”

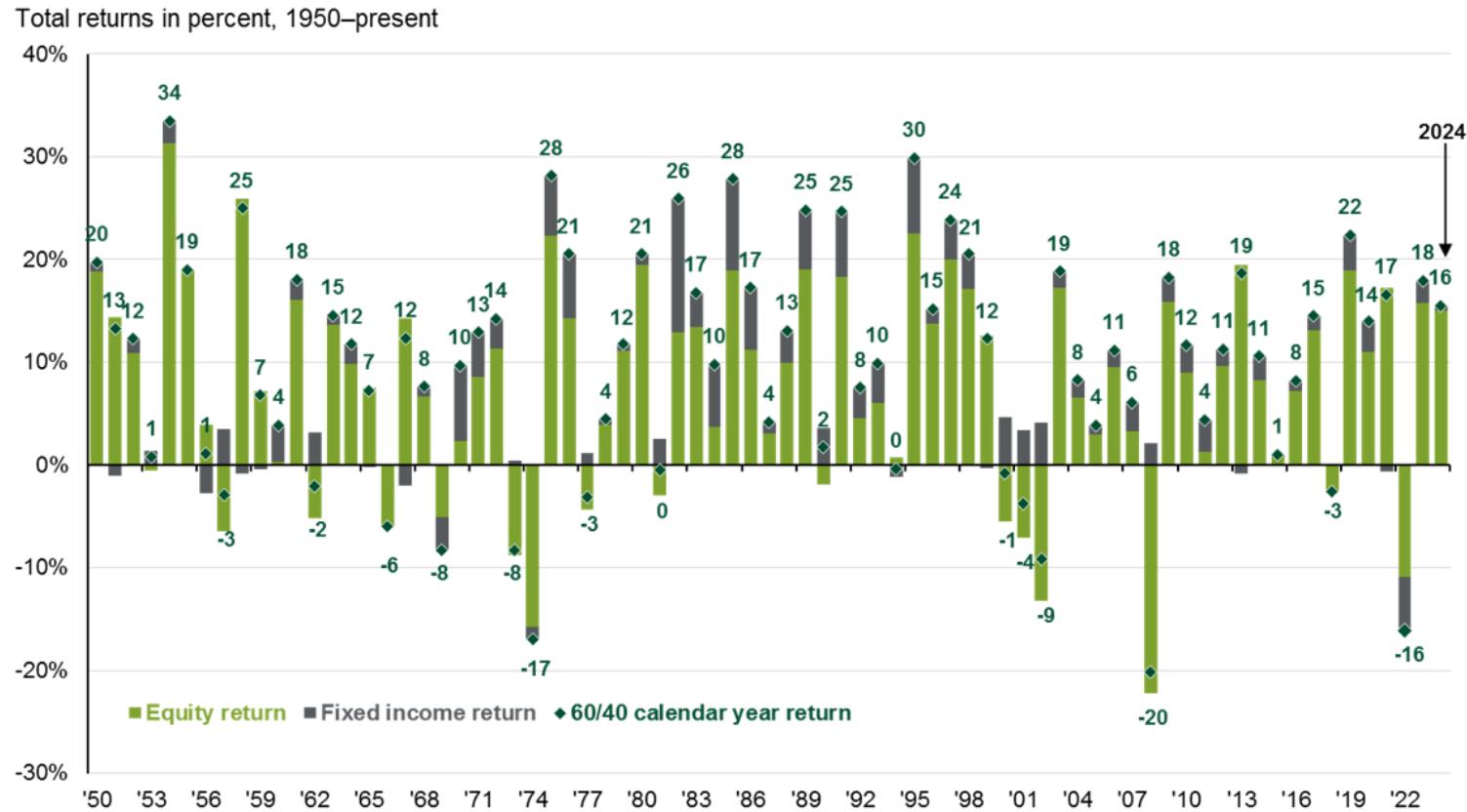
## S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: J.P. Morgan Asset Management, Guide To The Markets, Bloomberg, FactSet, Ibbotson/Stratgas, Standard & Poor's, as of 03/31/2025

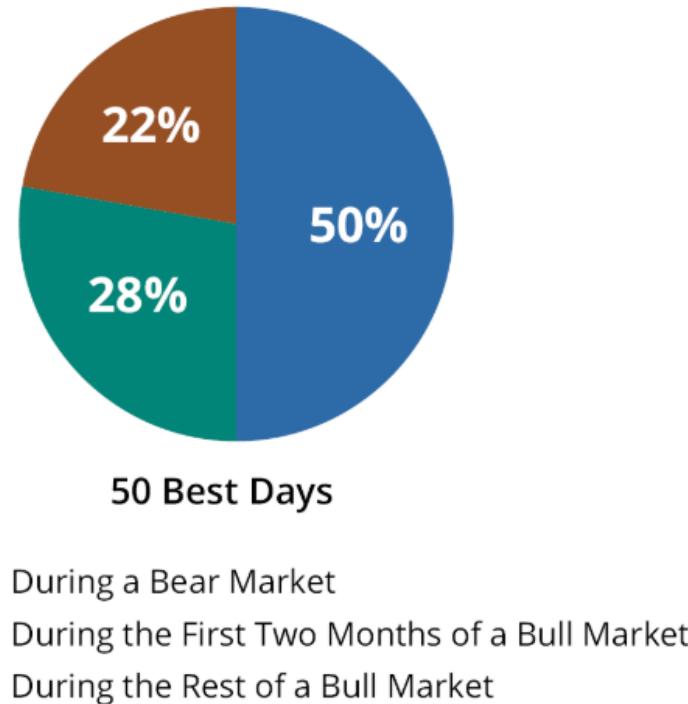
# The 60/40 Portfolio – “Oh, The Places You Won’t Go”



Source: J.P. Morgan Asset Management, Guide To The Markets, Bloomberg, FactSet, Ibbotson/Stratgas, Standard & Poor's, as of 03/31/2025

# The Best Days Happen During Volatile Times

S&P 500 Index Best Days: 1995–2024

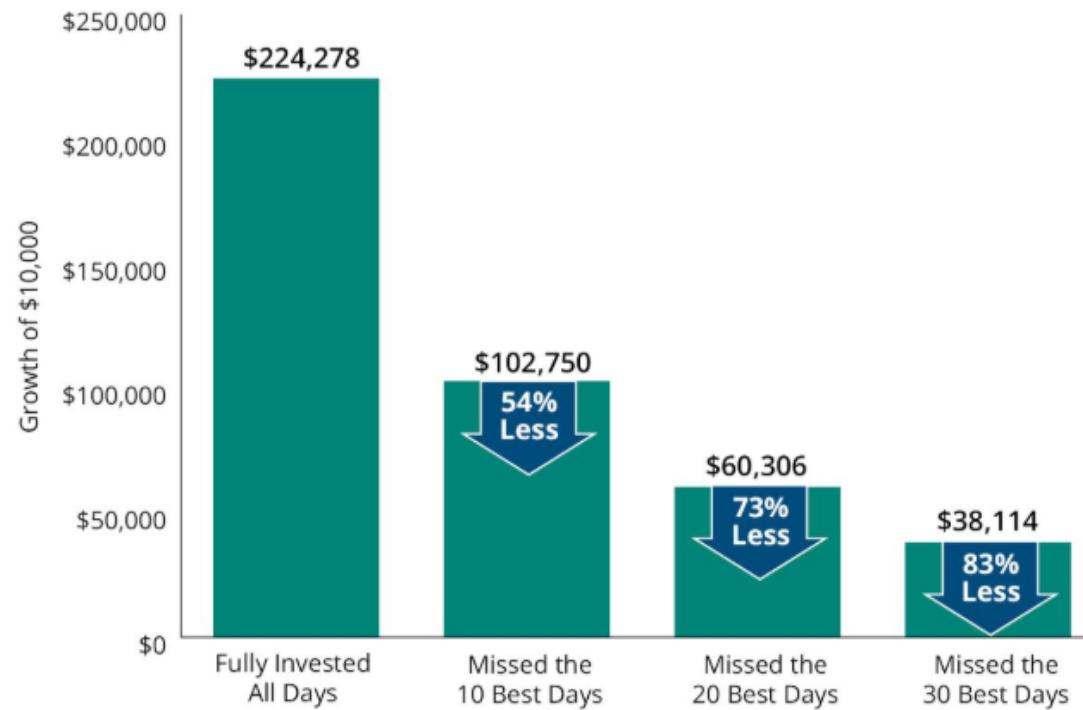


Source: Hartford Funds, as of 01/28/2025

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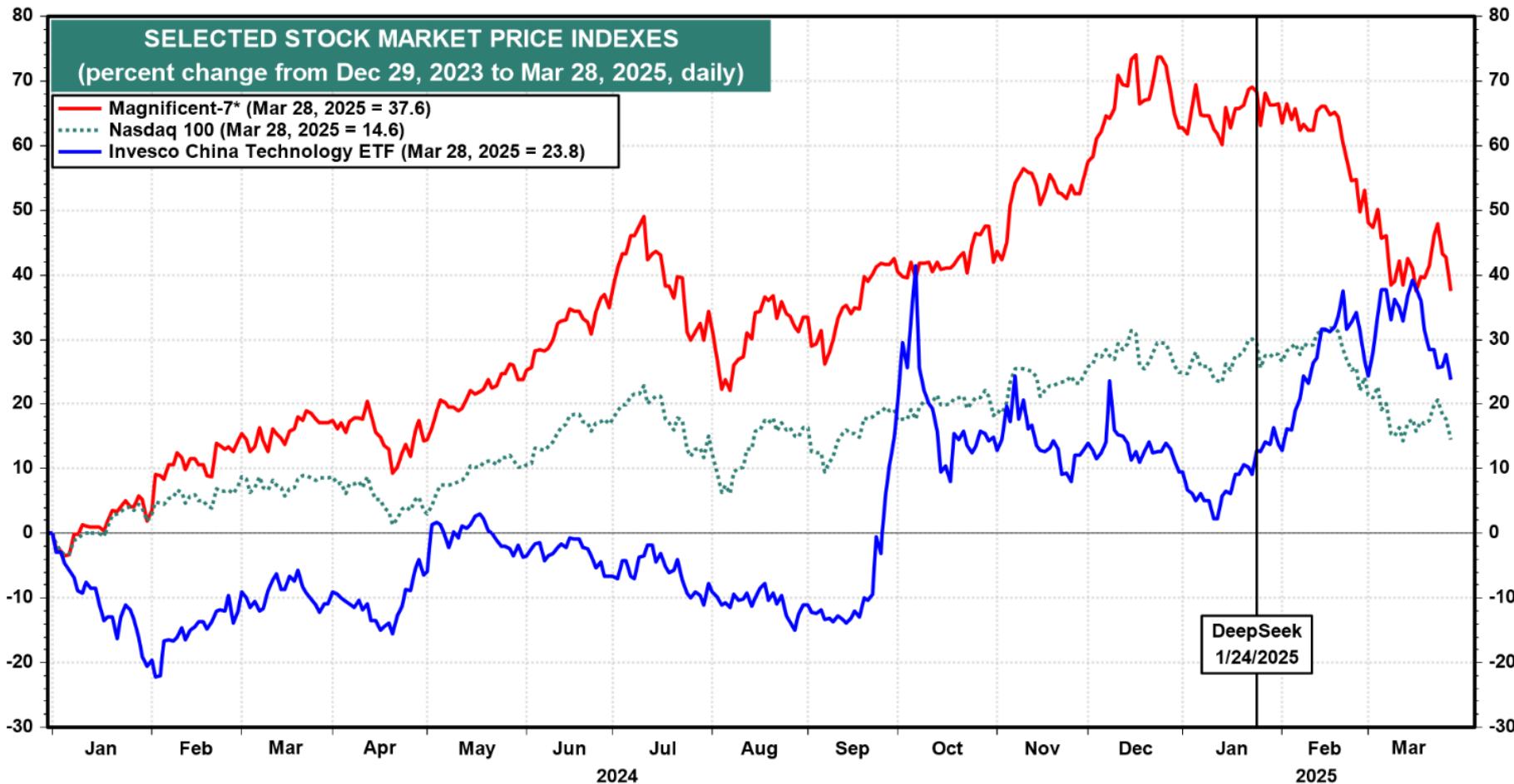
## Stay The Course – Missing The Best Days Can Be Costly

S&P 500 Index Average Annual Total Returns: 1995–2024



Source: Hartford Funds, as of 01/28/2025

# Was It Tariffs Or DeepSeek? - Both!



Source: Yardeni Research, as of 03/30/2025

# Tariffs – Fine Print

1. USMCA goods will be exempt
2. They also won't stack on top of existing duties by sector
3. China, which was already slapped with a [20% tariff for its role in fentanyl trade](#), will be levied an additional 34% — half of the 67% tariff it imposes on the US — bringing its new rate to 54%.
4. About 60 countries will see tariffs higher than 10%. The baseline 10% tariff goes into effect on Saturday, one minute after midnight, then any higher tariffs will go into effect on April 9.
5. The new tariffs won't add on to tariffs previously announced on steel, aluminum and cars.
6. The 25% tariff on goods from Mexico and Canada that don't comply with the United States-Mexico-Canada Agreement (USMCA) will remain in place until Trump determines that issues around fentanyl and illegal immigration have been resolved. Whenever that happens, Canada and Mexico will then default to the administration's current trade approach for other countries.
7. **Some goods will not be subject to the Reciprocal Tariff.** These include: (1) [articles subject to 50 USC 1702\(b\)](#); (2) steel/aluminum articles and autos/auto parts already subject to Section 232 tariffs; (3) copper, pharmaceuticals, semiconductors, and lumber articles; (4) [all articles that may become subject to future Section 232 tariffs](#); (5) bullion; and (6) energy and other certain minerals that are not available in the United States.

The United States-Mexico-Canada Agreement (USMCA) facilitates trade among the U.S., Mexico, and Canada by eliminating tariffs on a wide array of goods, provided they meet specific rules of origin. While the agreement encompasses numerous products, here are some key categories.

## 1. Automotive Products

- Vehicles: Cars, trucks, and motorcycles that comply with regional value content requirements.

[View list](#)

## 2. Agricultural Products

- Dairy: Milk, cheese, and yogurt with adjusted market access provisions.
- Poultry and Eggs: Expanded quotas for chicken, turkey, and egg products.
- Fruits and Vegetables: Tariff-free access for a variety of produce grown within the member countries.

[View list](#)

## 3. Textiles and Apparel

- Clothing and fabrics that meet yarn-forward rules of origin, ensuring production stages occur within USMCA countries.

## 4. Industrial Goods

- Machinery: Equipment used in manufacturing and construction.
- Electronics: Consumer electronics and components produced regionally.

## 5. Pharmaceuticals and Medical Devices

- Medicines and health-related equipment manufactured within the member countries.

For a comprehensive and detailed list of goods and their specific tariff classifications under the USMCA, you can refer to the official tariff schedules provided by each country:

• U.S. Tariff Schedule [View list](#)

• Mexico Tariff Schedule [View list](#)

• Canada Tariff Schedule [View list](#)

These documents offer in-depth information on product-specific rules and tariff commitments essential for businesses and individuals engaged in trade within North America.

Note: Recent developments, such as the announcement of new tariffs on April 2, 2025, may affect certain goods. It's advisable to consult the latest trade notices and legal advisories to understand how these changes might impact specific products. [View list](#)

 **Table: What is and isn't subject to IEEPA powers under 50 USC § 1702**

| Category                           | Example Activities                                      | Subject to IEEPA (§ 1702(b))? | Exempted by § 1702(e)? |
|------------------------------------|---|-------------------------------|------------------------|
| Personal communications            | Phone calls, letters, DMs (non-commercial)              | ☒ Not subject                 | ☒ Yes                  |
| Informational materials            | Books, newspapers, blogs, videos, music, artwork        | ☒ Not subject                 | ☒ Yes                  |
| Travel-related transactions        | Booking flights, hotels, meals abroad                   | ☒ Not subject                 | ☒ Yes                  |
| Humanitarian donations             | Sending food, clothing, medicine to disaster zones      | ☒ Not subject                 | ☒ Yes                  |
| U.S. government official business  | Diplomatic missions, military operations, federal aid   | ☒ Not subject                 | ☒ Yes                  |
| Business transactions (non-exempt) | Selling goods to sanctioned entity; tech transfers      | ☒ Subject                     | ☒ No                   |
| Financial transfers                | Banking, crypto, wire transfers to/from sanctioned orgs | ☒ Subject                     | ☒ No                   |
| Services to blocked persons        | Legal, marketing, consulting for sanctioned individuals | ☒ Subject                     | ☒ No                   |
| Technology exports (non-public)    | Proprietary software, defense tech                      | ☒ Subject                     | ☒ No                   |

## Articles That May Become Subject to Future Section 232 Tariffs

While no one can predict with certainty, here are categories of goods that are frequently discussed or investigated — or that have strategic/national security implications — and could be targets for future Section 232 actions:

### 1. Critical Minerals and Rare Earths

- Lithium, cobalt, nickel, graphite, rare earth elements
- Used in: EV batteries, magnets, defense tech, semiconductors
- Countries of concern: China dominates supply chains

### 2. Semiconductors and Microelectronics

- Chips, wafers, substrates, photolithography equipment
- National security: Crucial for defense, AI, telecom

### 3. Battery Components

- Lithium-ion cells, anodes, cathodes, battery packs
- Growing concern over reliance on Chinese production

### 4. Electric Vehicles (EVs) and Components

- Whole EVs, motors, drive units, control systems
- Strategic tech race + manufacturing capacity competition

### 5. Medical Supplies / Pharmaceuticals

- APIs (active pharmaceutical ingredients), PPE, syringes
- Post-COVID push for domestic sourcing

### 6. Green Energy Equipment

- Solar panels, wind turbine parts, electrolyzers
- Tariffs might be considered to reduce reliance on China or support U.S. manufacturing

### 7. Shipbuilding & Maritime Equipment

- Commercial vessels, marine engines, parts
- Possible strategic security issue tied to China and global naval competition

### 8. Drones and Unmanned Aerial Systems

- Civilian drones, military-capable platforms
- National security risk tied to surveillance and data access

Source: Whitehouse.gov, as of 04/02/2025

# Tariffs – Fuzzy Math (Trade Deficit Expressed As A %)

| Reciprocal Tariffs |  |                                      |
|--------------------|--|--------------------------------------|
| Country            | Tariffs Charged to the U.S.A.<br>(including Compensation and Trade Barriers) | U.S.A. Discounted Reciprocal Tariffs |
| China              | 67%  | 34%                                  |
| European Union     | 39%  | 20%                                  |
| Vietnam            | 90%  | 46%                                  |
| Taiwan             | 64%  | 32%                                  |
| Japan              | 46%  | 24%                                  |
| India              | 52%  | 26%                                  |
| South Korea        | 50%  | 25%                                  |
| Thailand           | 72%  | 36%                                  |
| Switzerland        | 61%  | 31%                                  |
| Indonesia          | 64%  | 32%                                  |
| Malaysia           | 47%  | 24%                                  |
| Cambodia           | 97%  | 49%                                  |
| United Kingdom     | 10%  | 10%                                  |
| South Africa       | 60%  | 30%                                  |
| Brazil             | 10%  | 10%                                  |
| Bangladesh         | 74%  | 37%                                  |
| Singapore          | 10%  | 10%                                  |
| Israel             | 33%  | 17%                                  |
| Philippines        | 34%  | 17%                                  |
| Chile              | 10%  | 10%                                  |
| Australia          | 10%  | 10%                                  |
| Pakistan           | 58%  | 29%                                  |
| Turkey             | 10%  | 10%                                  |
| Sri Lanka          | 88%  | 44%                                  |
| Colombia           | 10%  | 10%                                  |

| Reciprocal Tariffs   |  |                                      |
|----------------------|--|--------------------------------------|
| Country              | Tariffs Charged to the U.S.A.<br>(including Compensation and Trade Barriers) | U.S.A. Discounted Reciprocal Tariffs |
| Peru                 | 10%  | 10%                                  |
| Nicaragua            | 36%  | 18%                                  |
| Norway               | 30%  | 15%                                  |
| Costa Rica           | 17%  | 10%                                  |
| Jordan               | 40%  | 20%                                  |
| Dominican Republic   | 10%  | 10%                                  |
| United Arab Emirates | 10%  | 10%                                  |
| New Zealand          | 20%  | 10%                                  |
| Argentina            | 10%  | 10%                                  |
| Ecuador              | 12%  | 10%                                  |
| Guatemala            | 10%  | 10%                                  |
| Honduras             | 10%  | 10%                                  |
| Madagascar           | 93%  | 47%                                  |
| Myanmar (Burma)      | 88%  | 44%                                  |
| Tunisia              | 55%  | 28%                                  |
| Kazakhstan           | 54%  | 27%                                  |
| Serbia               | 74%  | 37%                                  |
| Egypt                | 10%  | 10%                                  |
| Saudi Arabia         | 10%  | 10%                                  |
| El Salvador          | 10%  | 10%                                  |
| Côte d'Ivoire        | 41%  | 21%                                  |
| Laos                 | 95%  | 48%                                  |
| Botswana             | 74%  | 37%                                  |
| Trinidad and Tobago  | 12%  | 10%                                  |
| Morocco              | 10%  | 10%                                  |

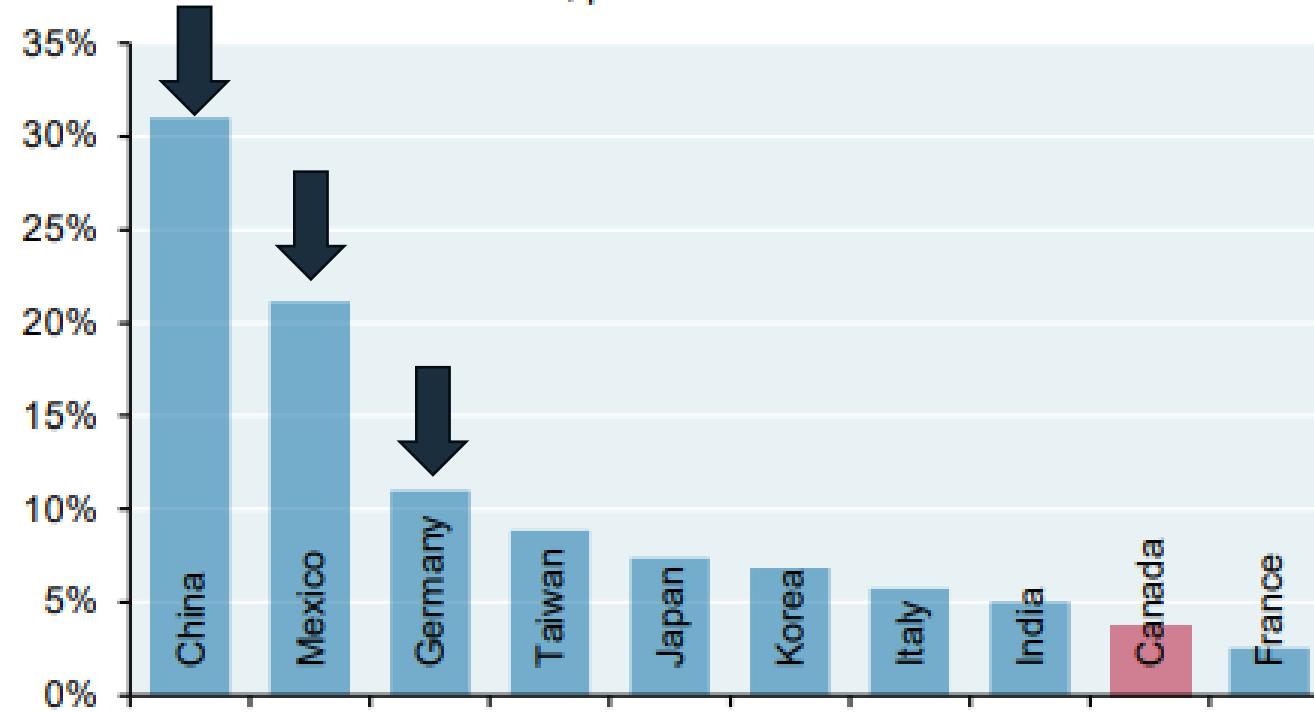
Source: Whitehouse.gov, as of 04/02/2025

## Tariffs – Trade Deficits

Top 3 Countries Account For Over 50% Of U.S. Trade Deficit

### Contribution to the US trade deficit by country

Share of 2024 total US deficit, percent



Source: J.P. Morgan Asset Management, Michael Cembelast, Eye On The Market, Census Bureau, TD Economics, as of 01/31/2025

# The Fed's Latest Projections – Sleight Of Hand

Percent

| Variable   | Median <sup>1</sup> |      |      |            |
|--|---------------------|------|------|------------|
|  | 2025                | 2026 | 2027 | Longer run |
| Change in real GDP<br>December projection              | 1.7                 | 1.8  | 1.8  | 1.8        |
|  | 2.1                 | 2.0  | 1.9  | 1.8        |
| Unemployment rate<br>December projection               | 4.4                 | 4.3  | 4.3  | 4.2        |
|  | 4.3                 | 4.3  | 4.3  | 4.2        |
| PCE inflation<br>December projection                   | 2.7                 | 2.2  | 2.0  | 2.0        |
|  | 2.5                 | 2.1  | 2.0  | 2.0        |
| Core PCE inflation <sup>4</sup><br>December projection | 2.8                 | 2.2  | 2.0  |            |
|  | 2.5                 | 2.2  | 2.0  |            |
| Memo: Projected<br>appropriate policy path             |                     |      |      |            |
| Federal funds rate<br>December projection              | 3.9                 | 3.4  | 3.1  | 3.0        |
|  | 3.9                 | 3.4  | 3.1  | 3.0        |



 Sleight of Hand!

Source: The Federal Reserve, as of 03/19/2025

# Fed Speak – The Hidden Words Of Stimulus (QT To QE)

For release at 2:00 p.m. EST March 19~~January 29~~, 2025

Recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated.

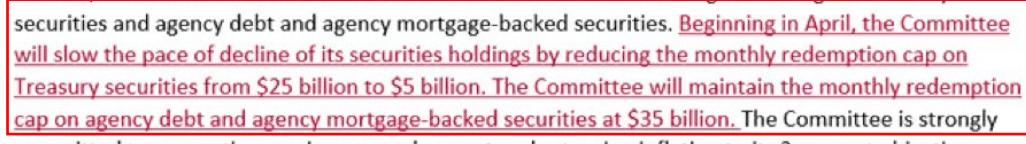
The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty around~~The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance. The~~ economic outlook has increased. Theis uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.

In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 4-1/4 to 4-1/2 percent. In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. Beginning in April, the Committee will slow the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$25 billion to \$5 billion. The Committee will maintain the monthly redemption cap on agency debt and agency mortgage-backed securities at \$35 billion. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; Austan D. Goolsbee; Philip N. Jefferson; Adriana D. Kugler; Alberto G. Musalem; and Jeffrey R. Schmid. Voting against this action was; and Christopher J. Waller, who supported no change for the federal funds target range but preferred to continue the current pace of decline in securities holdings.

Source: The Federal Reserve, as of 03/19/2025

 This Is Easing

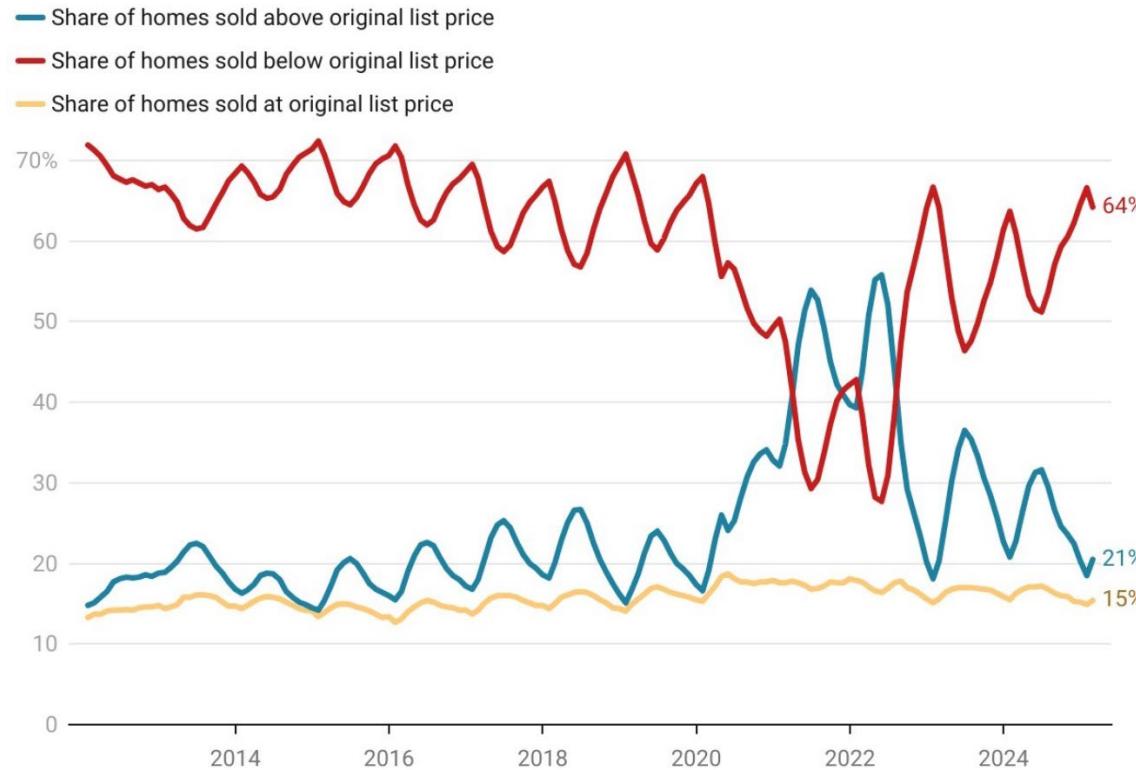
## Lower Inflation - According To The Bond Market



Source: Bloomberg 5 Year TIPS Spread, as of 04/03/2025

# Housing Deflation – More Coming Soon

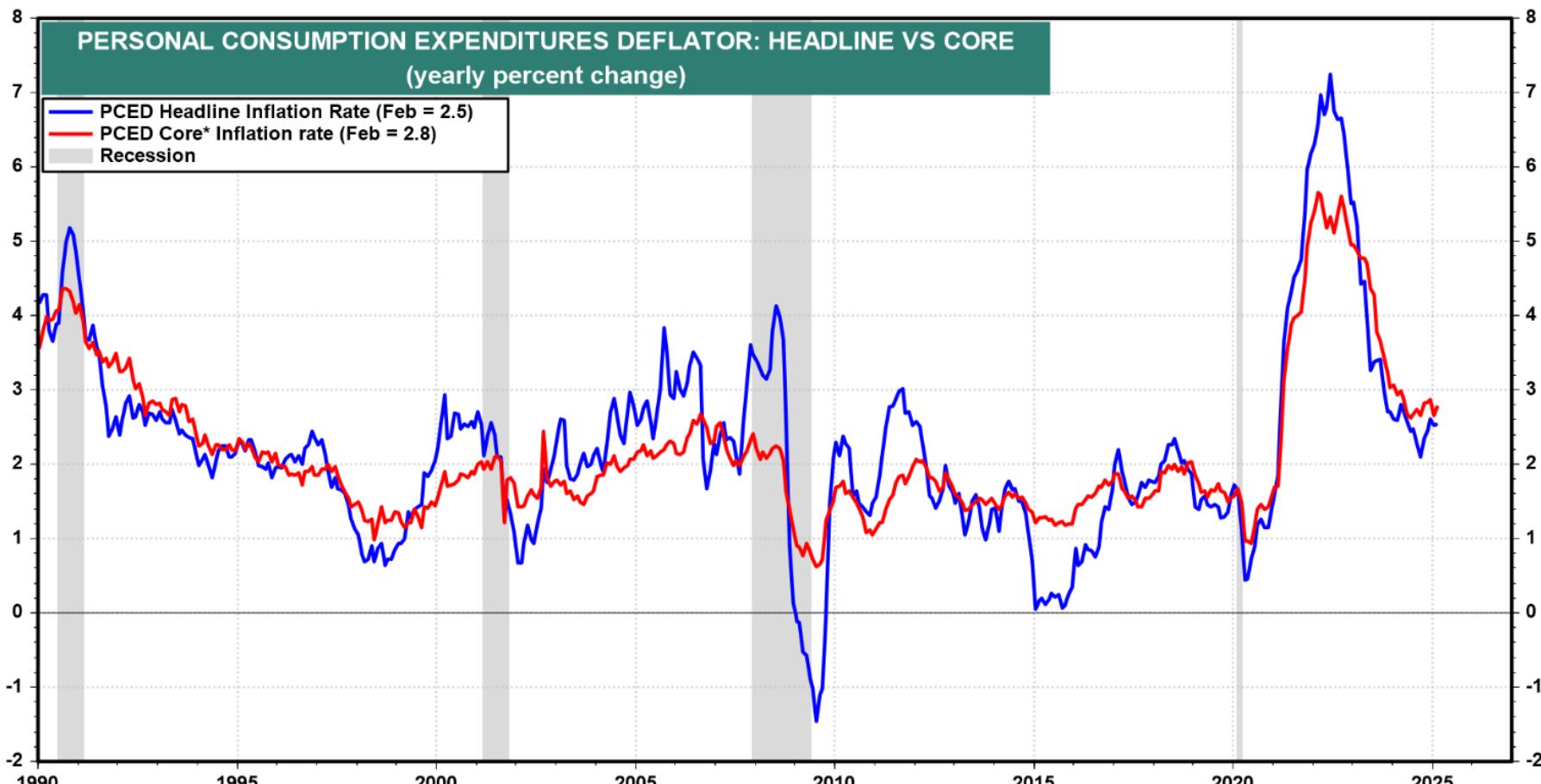
## Nearly 2 in 3 Homes Sell for Less Than Original List Price



Source: Redfin, Datawrapper, as of 03/31/2025

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## PCE – The Fed's Measure Of Inflation

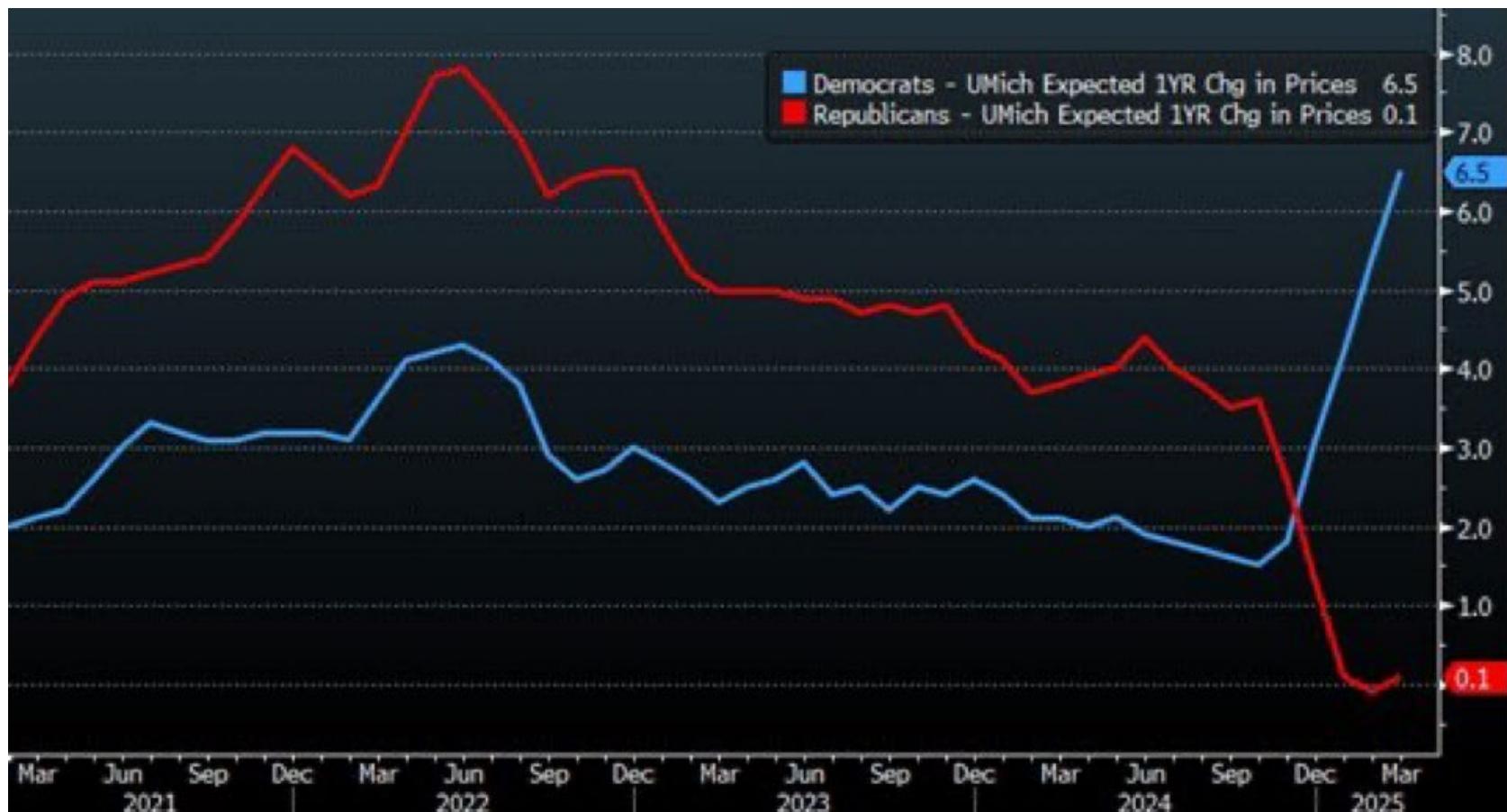


# Data Monitor – What Matters Most?

|           | Indicator  | Most Recent | 6m ago | 1yr ago | Assessment                  |
|-----------|--|-------------|--------|---------|-----------------------------|
| Soft Data | Composite PMI (Index)  | 51.6        | 54.6   | 52.5    | Weakening                   |
|           | Consumer Sentiment (Index)   | 57.9        | 70.1   | 79.4    | Weakening                   |
|           | Homebuilders' Sentiment (Index)  | 39.0        | 41.0   | 51.0    | Stable (but weak)           |
|           | Policy Uncertainty (Index)   | 313.3       | 99.9   | 123.9   | Rising sharply              |
| Hard Data | Private Sector Jobs Growth (YoY, converted to monthly pace in thousands) | 129.7       | 111.4  | 125.7   | Stable                      |
|           | Unemployment Rate (%)  | 4.1%        | 4.2%   | 3.9%    | Stable                      |
|           | Initial Claims (SOS Rule)  | 1.2%        | 0.0%   | 13.5%   | Stable                      |
|           | Real Wage Growth (YoY%)  | 1.2%        | 1.4%   | 1.0%    | Stable                      |
|           | Retail Sales (YoY%)  | 5.2%        | 4.4%   | 3.4%    | Stable and strong           |
|           | Job Openings (YoY)   | -9.5        | -16.5  | -15.7   | Declining (but more slowly) |
|           | Manufacturing New Orders (YoY%)  | 2.1%        | 0.5%   | -0.3%   | Accelerating                |
|           | Real Residential Construction Spending (YoY%)                            | 1.4%        | 2.7%   | 6.9%    | Stable (but weak)           |
|           | Real GDP Tracker (YoY%)  | 2.3%        | 2.4%   | 1.6%    | Stable                      |

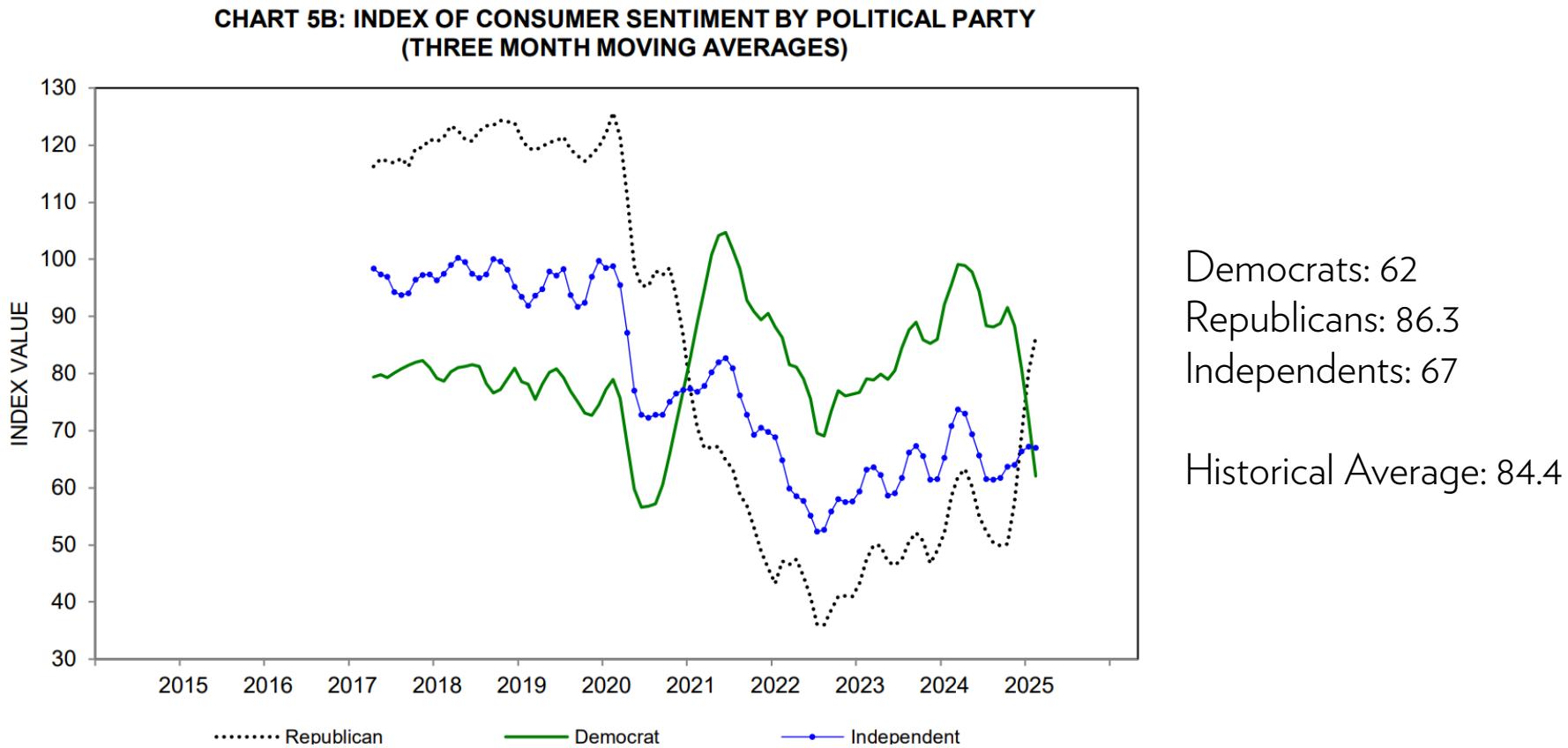
Source: Bloomberg Finance, Haver Analytics, J.P. Morgan Wealth Management, as of 03/20/2025

## Consumer Inflation Expectations – Depends On Who You Ask



Source: Bloomberg, as of 03/28/2025

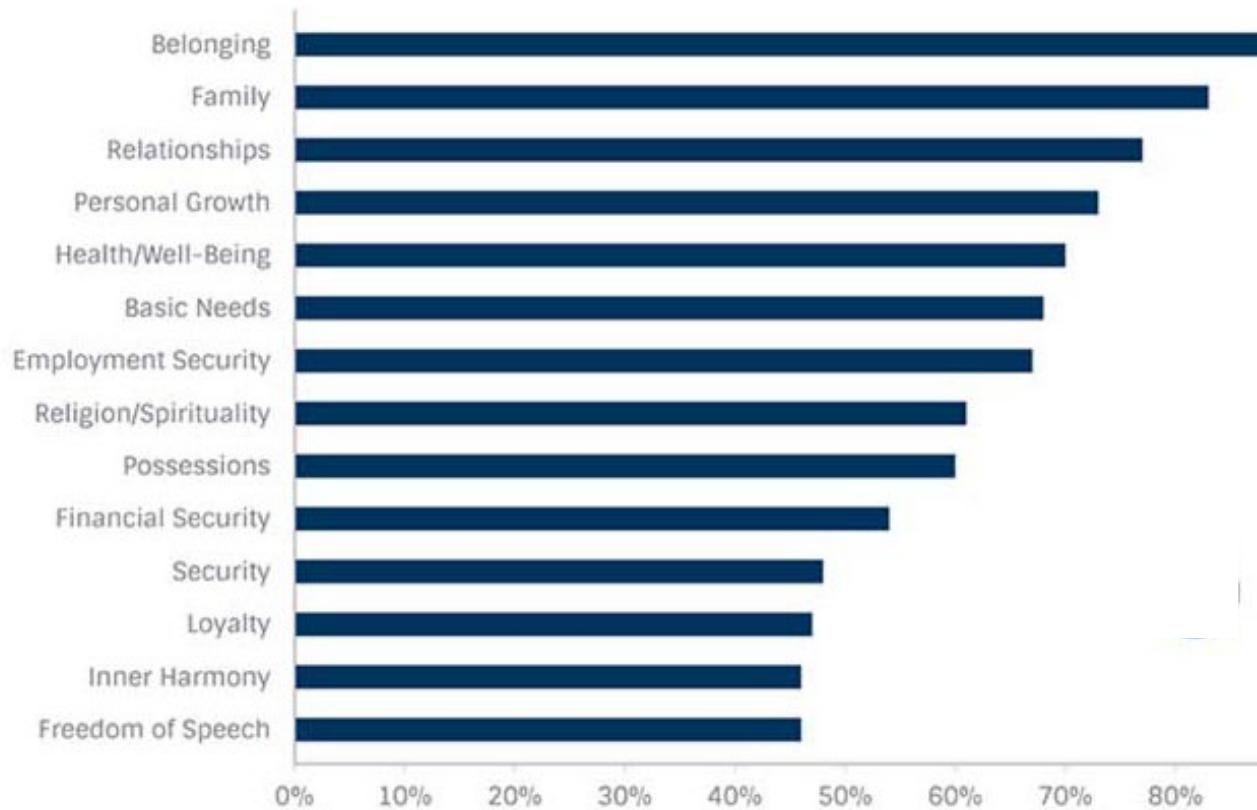
## Consumer Confidence – Depends On Who You Ask



Source: University of Michigan, as of 03/28/2025

## Avoid The Noise – We Are More United Than You Think

### USA VALUES RANKING - The Top Fifteen



Source: ValueGraphics, USA Values Ranking, Newswire, as of 09/30/2024

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## Disclaimer

- The views expressed in this commentary are subject to change based on market and other conditions. These documents may contain certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur.
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